

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
KIMBERLY STEEL,

Plaintiff,

- v -

WATCH HILL MANAGEMENT CORP.,
WATCH HILL INVESTMENT PARTNERS L.P.
PROVIDENCE INVESTMENT MANAGEMENT,
LLC and RUSSELL JEFFREY,

Defendants.
-----X

Case No.08-cv-01698 (GBD)

**AFFIDAVIT OF
KIMBERLY STEEL IN
OPPOSITION TO MOTION
TO DISMISS OR TO
TRANSFER VENUE**

STATE OF IDAHO)
) ss.:
COUNTY OF Blaine)

KIMBERLY STEEL, being duly sworn, deposes and says:

1. I am the Plaintiff ("Steel") in this action and submit this affidavit in opposition to the motion by Defendants Providence Investment Management, LLC ("Providence") and Russell Jeffrey ("Jeffrey") to dismiss the Complaint or, in the alternative, to transfer venue to the United States District Court for the District of Rhode Island.

2. This action was properly commenced in this district and the motion should be denied in all respects.

3. The facts giving rise to this action are set forth in the Complaint and only certain relevant portions will be summarized in this Affidavit. A copy of the Complaint is annexed to the Jeffrey Affidavit as Exhibit A.

4. As of February 8, 1995, Steel entered into an Employment Agreement with Watch Hill Management Corp., a New York Corporation ("WHM") (the "Employment Agreement"). The introductory clauses of the Employment Agreement state in part that "WHM provides management services to Watch Hill Fund L.P. (the

'Partnership'), a New York Limited Partnership whose General Partner is Watch Hill Investment Partners L.P. (the "General Partner"), a New York Limited Partnership that is an affiliate of WHM and shares its office address".*

5. The introductory clauses of the Employment Agreement further provided that I was retained to "provide services for WHM, the General Partner and the Partnership on the terms and conditions set forth in this Agreement, and Steel is willing to undertake employment, and the General Partner is willing to guarantee WHM's obligations to Steel to induce Steel to undertake employment, upon these terms and conditions".

6. The Employment Agreement is signed by WHM and guaranteed by Watch Hill Fund L.P. and by its individual General Partners, Russell J. Jeffrey and David J. Weisberger. The guaranty states in part that "The undersigned [Watch Hill Investment Partners L.P., Russell Jeffrey, General Partner] . . . hereby guaranties the full and prompt payment and all of WHM's obligations to Steel under this Agreement and consents in advance and agrees that the validity of this guaranty and the undersigned's liability hereunder shall not be impaired, released or terminated by any amendment to or change in this Agreement (and any such amendment or change shall be included in and covered by this guaranty)." (Complaint, ¶ 15).

7. Section 3 (b) of the Employment Agreement provides in part:

"As a bonus for services in soliciting and obtaining investors for the Partnership, WHM agrees to pay Steel in perpetuity a quarterly bonus based upon the amount of investments in the Partnership by limited partners who are introduced by Steel to the Partnership ("Referred Limited Partners") calculated in the manner hereinafter set forth in this paragraph".

* All emphasis supplied.

8. Section 3 (b) of the Employment Agreement defines Referred Limited Partners as follows:

“Referred Limited Partners” shall include any limited partners (or persons or entities having an interest in a limited partner) from among the following: (i) any person or entity introduced by Steel to the General Partner or the Partnership (or any subsidiary, affiliate, successor or assign of the General Partner or Partnership) from time to time during or after the termination of her employment; (ii) any relative, subsidiary, affiliate, successor or assign of any such person or entity introduced by Steel; and (iii) any person or entity (or relative, subsidiary, affiliate, successor or assign thereof) introduced to the General Partner or the Partnership by any person or entity (or relative, subsidiary, affiliate, successor or assign thereof) introduced by Steel. Any objection the General Partner or WHM may have to the categorization of any person or entity as someone introduced by Steel must be made in writing and received by Steel within 5 business days of disclosure to the General Partner of the name; failure to make such timely objection shall conclusively establish the General Partner’s agreement to accept and treat such person or entity as introduced by Steel.

In the event the General Partner or any affiliate thereof establishes, acts as general partner to, manages, operates or controls another securities investment partnership, securities investment company, securities investment fund or securities investment account, Steel’s bonus computation hereunder will, in addition to the capital accounts of Referred Limited Partners in the Partnership, include and be based, in addition, on the capital accounts of Referred Limited Partners in any such other securities investment partnership, securities investment company, securities investment fund or securities investment account.” (Complaint, ¶ 1).

9. During the term of my employment, I solicited and obtained Referred Limited Partners for the Watch Hill Fund L.P. funds as provided for in the Employment Agreement. Each investor, their classification as a Referred Limited Partner, as well as each investment was approved prior to any investment being accepted into any fund. (Complaint, ¶ 18).

10. On or about December, 2002, Jeffrey left Watch Hill. However, pursuant to the terms of the Employment Agreement, Mr. Jeffrey’s leaving Watch Hill did not relieve him of his liability to Steel. (Complaint, ¶¶ 23 and 27).

11. On January 28, 2004, my employment by Watch Hill was terminated. However, pursuant to Section 5 of the Employment Agreement, the obligations to pay the bonus payments to me or my designee pursuant to Section 3 (b) continued in perpetuity

as long as Referred Limited Partners invested in funds in which Watch Hill and/or Jeffrey had an interest in. Section 5 of my Employment Agreement states in part: "Upon termination of Steel's employment under this Agreement . . . WHM's obligation to pay Steel or Steel's designee the bonus payment provided pursuant to Section 3 (b) above will nevertheless continue in perpetuity . . ." (Complaint, ¶¶ 19 and 20).

12. Subsequent to Jeffrey leaving Watch Hill, he formed Providence, which is engaged in substantially the same business as Watch Hill. Thereafter, Providence and/or Jeffrey solicited and/or accepted investments from Steel Referred Limited Partners who had invested with Watch Hill funds while Jeffrey was a General Partner. (Complaint, ¶¶ 23 and 24).

13. Providence and Jeffrey have failed and refused to pay the bonus due to me based upon Steel Referred Limited Partners investing in Providence funds. (Complaint, ¶¶ 27 and 28).

14. I have been advised by Steel Referred Limited Partner Andrew Ho, a New York resident, that his companies were the first and largest investors in Providence having invested at least \$60,000,000 in Providence funds.

15. A substantial number of the Referred Limited Partners were residents of and/or had their companies in New York. Upon information and belief, a number of those Steel Referred Limited Partners left Watch Hill and invested in Providence funds. (Complaint, ¶ 26).

16. The Employment Agreement in Section 7 (a) provides that it:

"Shall be construed and interpreted in accordance with the laws of the State of New York. Any dispute shall be submitted to binding arbitration in New York, New York under the then prevailing rules of the American Arbitration Association . . ."

17. I initially commenced an Arbitration before the American Arbitration Association for the relief sought in this action. However, Providence and Jeffrey brought an action in the New York State Supreme Court to stay that Arbitration. Honorable Joan A. Madden, J.S.C. granted the stay and found that Providence and Jeffrey were not required to submit to Arbitration. (A copy of Justice Madden's Decision is annexed to the Jeffrey Affidavit as Exhibit B).

18. Significantly, Providence and Jeffrey chose the forum of New York County, New York and not Rhode Island for their Order to Show Cause to Stay Arbitration and, in that proceeding, did not reserve the right to object to New York as the proper jurisdiction nor assert that New York was an improper jurisdiction or venue to hear my claims against them.

19. Annexed hereto as Exhibit "1" is the Providence Investment Management promotional literature. Although Mr. Jeffrey in Paragraph 10 of his Affidavit states "that Providence does not regularly do business, or engage in a systematic or continuous course of business, in New York" the Providence promotional literature contradicts that claim:

- a. Pages 9 and 10 list Providence's "Prime Broker" as Bear Stearns, a New York securities firm;
- b. The "Approved Counterparties", to wit the companies that Providence transacts business, listed on Page 9 include Citibank, Goldman Sachs, JP Morgan, Lehman Brothers, Merrill Lynch, Morgan Stanley, Washington Mutual and several other New York securities institutions;
- c. Page 10 lists the New York law firm of Kleinberg, Kaplan, Wolff & Cohen as its "Legal Representative". Annexed hereto as Exhibit 2 is the Martindale Hubbell listing of the offices and attorneys in that firm. The firm's sole office is at 551 Fifth Avenue, New York, New York and although all of the thirty-seven attorneys in that firm are admitted in the State of New York, none are admitted to practice in Rhode Island;

- d. Page 10 lists the New York accounting firm of Lipsky Goodkin as its "Auditor". Lipsky Goodkin has its only office at 120 West 45th Street, New York, New York;
- e. Page 14 lists Raymond Yu as the Senior Portfolio Manager of Providence. He is the second most senior officer of Providence and is responsible for the critical task of the day to day portfolio management of the Providence funds. Mr. Yu, the former associate portfolio manager of Watch Hill, resides in Oyster Bay, New York, which is almost 200 miles from Providence, Rhode Island. Mr. Yu lists his office telephone number as 516-822-5458. This area code is used for Nassau County, New York. I telephoned Providence on May 21, 2008 and asked for Mr. Yu. I was told that "he is at his New York office and can be reached at 516-822-5458." Mr. Yu's email signature, home address and MapQuest travel directions from Oyster Bay, NY to Providence, RI are annexed hereto as Exhibit 3. Mr. Yu performs virtually all of his duties for Providence from his Oyster Bay, New York home which according to Map Quest is a driving distance of 118.12 miles with an estimated travel time of 3 hours and 38 minutes.

20. Mr. Jeffrey fails to advise the Court that, in addition to being the CEO, Principal and Chief Investment strategist of Providence, he is a Senior Vice President and Chief Investment Officer for American Capital Agency Corporation, Vice President of American Capital Agency Management, LLC and Senior Vice President and Managing Director of American Capital. In addition, Raymond Yu is a Vice President of American Capital Agency Management, LLC and a Vice President and Principal of American Capital. (A copy of the American Capital Agency Corp. biographies of Mr. Jeffrey and Mr. Yu are annexed hereto as Exhibit 4).

21. According to their website, American Capital maintains offices in New York and Maryland and does not have a Rhode Island office.

22. Annexed hereto as Exhibit 5 is an excerpt from American Capital Agency Corp. Securities and Exchange Commission filing No. 333-149167 filed on February 11, 2008. That filing states that "Mr. Jeffrey has headed American Capital's RMBS Investment Team." The prospectus is for an Offering of \$400,000,000 for a REIT which will be managed by a team which is headed by Mr. Jeffrey and includes Mr. Yu. The

Underwriters for this Offering which was priced on May 14, 2008 are Citigroup Global Markets and Merrill Lynch & Co., two New York securities firms. There can be little doubt that Mr. Jeffrey has had and continues to have substantial New York contacts and activities in connection with that Offering.

23. It is of further significance that Providence's business, like that of Watch Hill, is conducted virtually exclusively over the telephone, internet, overnight delivery and U.S. Mail. This allows Providence and Jeffrey to conduct their New York-centered Mortgage Backed Securities business from offices in Providence, Rhode Island and Oyster Bay, New York. The Mortgage Backed Securities business originated in New York City, and the major Wall Street firms who trade these securities have their principal place of business in New York.

24. From the foregoing, it is clear that both Mr. Jeffrey and Providence conduct virtually all of their business and enter into contracts for their mortgage-backed securities funds in New York and within this judicial district. Furthermore, the acceptance of investments from New York based Steel Referred Limited Partners without paying my agreed commission is the commission of a tortious act within the State of New York.

25. The true facts concerning Providence and Jeffrey's business activities contradict the claims made by them in this motion. Clearly, the defendants in a multitude of ways "avail themselves of the benefits and privileges of doing business in New York." The facts also meet the "simple and pragmatic test" used to determine that this case should remain in this Court.

26. The Employment Agreement, pursuant to which this action has been brought, is governed by the laws of the State of New York and calls for arbitration in the County and State of New York. Although it has been found that neither Jeffrey nor

Providence can be required to arbitrate this dispute, the venue remains in New York, New York.

27. It is of further significance that the other two defendants, Watch Hill Management Corp. and Watch Hill Investment Partners, L.P., maintain their principal and exclusive place of business and records relating to Steel Referred Limited Partners within this judicial district in Larchmont, New York. The liability of Jeffrey and Providence stems from Jeffrey's relationship with Watch Hill.

28. It is respectfully submitted that Providence and Jeffrey are seeking to transfer venue from New York to delay this case and make the process more inconvenient and costly to me and the two Watch Hill defendants.

29. Although this affidavit clearly shows that jurisdiction and venue are proper in this Court, if this Court determines that the New York contacts are insufficient, it is respectfully requested that a determination of jurisdiction and venue be stayed pending discovery on that issue.

WHEREFORE, it is respectfully requested for the reasons set forth herein that the motion by Providence Investment Management, LLC and Russell Jeffrey be denied in all respects.


Kimberly Steel

Sworn to before me this
23 day of May, 2008


Notary Public

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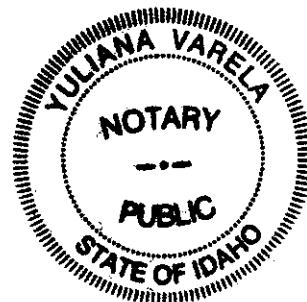


EXHIBIT 1

Strictly Confidential

PROVIDENCE INVESTMENT MANAGEMENT
Providence, Rhode Island

The Providence MBS Funds

March 2007

See Important Disclaimers on Page 2

Disclaimers

- *The information contained herein regarding each of the investment funds managed by Providence Investment Management, LLC (the "Funds") has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any limited partnership interests or shares in any Fund or to participate in any trading strategy. If any offer of limited partnership interests or shares is made, it shall be pursuant to a definitive Private Placement Memorandum prepared by or on behalf of the relevant Fund which would contain material information not contained herein and which shall supersede this information in its entirety. Any decision to invest in limited partnership interests or shares described herein should be made after reviewing the definitive Private Placement Memorandum for the relevant Fund, conducting such investigations as the investor deems necessary and consulting the investor's own investment, legal, accounting, and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the Fund.*
- *This presentation and its contents are proprietary information of Providence Investment Management, LLC, the general partner and/or investment manager of each Fund, and any reproduction of this information, in whole or in part, without the prior written consent of Providence Investment Management, LLC is prohibited. Additional information is available from Providence Investment Management, LLC upon request. Neither Providence Investment Management, LLC nor its affiliates is acting as your advisor or agent.*
- *Hedge fund investing is speculative and may involve substantial investment, liquidity, derivative, and other risks. Hedge funds can be leveraged and their performance results can be volatile. Hedge funds, such as the Funds, are not subject to the same regulatory requirements as mutual funds and are not required to provide periodic pricing or valuation information to investors. Past performance is no indication of future results. There is no secondary market for the investors' interest in any Fund nor is one expected to develop. The Funds' high fees and expenses may offset the Funds' profits. An investor could lose all or a substantial amount of his or her investment.*

Mission Statement

Providence Investment Management, LLC ("PIM") is a private investment management company with a focus in fixed income relative value strategies and a core emphasis on the Mortgage-Backed Securities ("MBS") market. Our mission is to...

...provide superior long-term, absolute returns through discriminate security selection and rigorous risk management. The investment team strives to create and manage a portfolio of mortgage cash flows cheap to their intrinsic value through extensive fundamental and technical analysis to generate returns that have little correlation to the level of interest rates or major market indices. Finally, a novel fee structure is employed that serves to better align manager and investor interests.

Superior Long-Term Performance

Russ Jeffrey has compiled a strong performance record managing MBS hedge funds⁽¹⁾⁽²⁾

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2004	2005	2006	2007
Jan	-	4.78%	2.23%	1.86%	-3.74%	2.95%	0.31%	-0.89%	1.61%	-	-0.76%	0.23%	0.85%
Feb	-	3.16%	8.72%	3.69%	1.40%	2.60%	0.52%	-1.05%	2.44%	-	0.67%	-7.93%	0.08%
March	-	4.93%	1.63%	0.78%	0.57%	1.58%	1.27%	1.16%	0.62%	2.66%	0.55%	1.00%	-
April	6.58%	3.50%	2.75%	1.26%	-0.78%	2.19%	1.36%	2.63%	2.71%	1.66%	0.61%	1.67%	-
May	7.52%	6.40%	5.77%	1.72%	0.11%	1.28%	0.12%	2.22%	2.76%	2.30%	0.46%	1.37%	-
June	6.50%	5.47%	0.87%	3.22%	-6.43%	1.19%	1.65%	0.44%	2.03%	0.25%	-0.40%	0.25%	-
July	7.11%	2.66%	2.21%	0.94%	0.28%	2.24%	2.09%	0.83%	2.33%	0.91%	0.70%	1.11%	-
Aug	6.16%	4.21%	6.58%	1.24%	-0.54%	0.79%	1.08%	0.13%	2.18%	1.82%	0.47%	0.34%	-
Sep	6.29%	8.64%	8.73%	1.84%	-14.33%	2.11%	1.73%	1.10%	0.79%	0.67%	0.13%	0.86%	-
Oct	7.39%	3.97%	1.18%	1.08%	0.18%	3.25%	1.01%	0.49%	0.81%	1.75%	1.13%	0.62%	-
Nov	4.77%	0.71%	0.65%	0.14%	0.13%	0.66%	-1.19%	1.81%	0.62%	0.05%	0.32%	-2.05%	-
Dec	6.19%	4.86%	5.84%	0.86%	-3.91%	0.60%	0.08%	3.25%	2.77%	0.00%	-1.59%	-0.62%	-
Total	76.21%	68.08%	58.09%	20.23%	-24.86%	23.61%	10.46%	12.70%	23.93%	12.83%	2.28%	-3.47%	0.93%

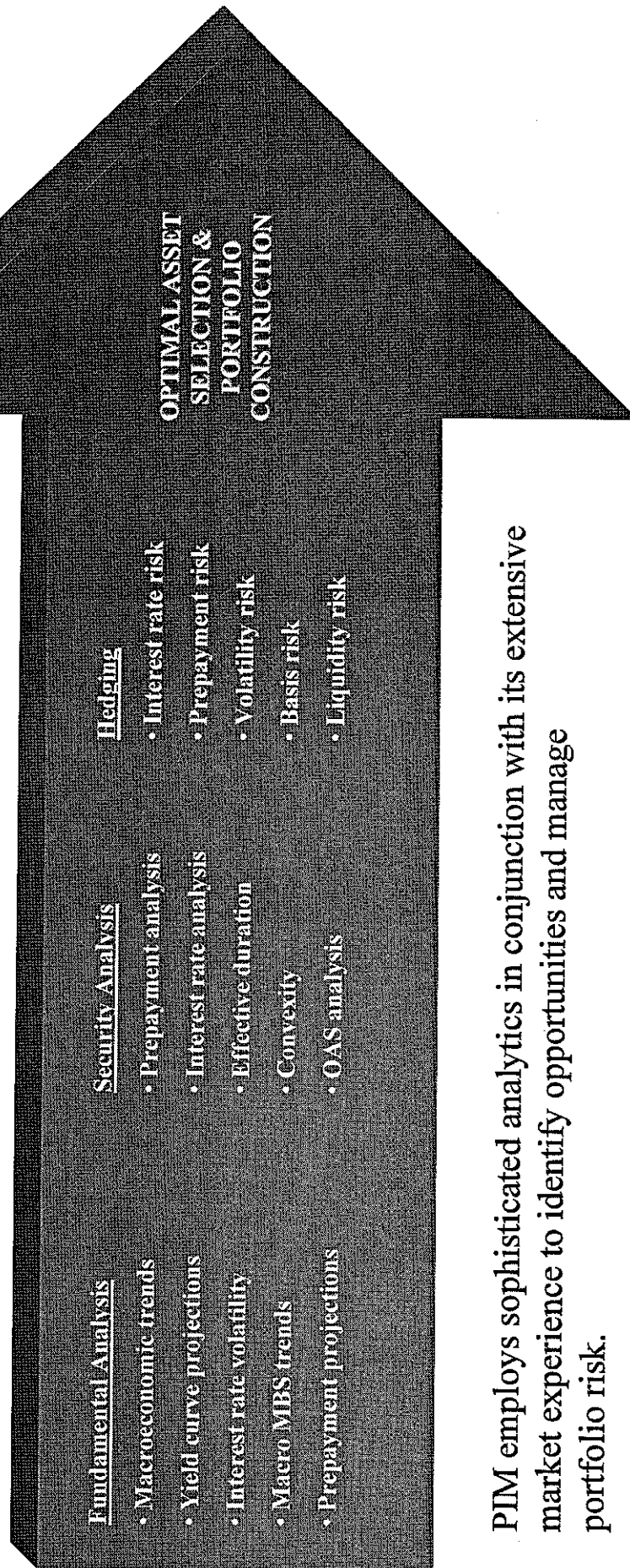
AVERAGE ANNUAL RETURN (1994 - 2006) = 23%

* Note: Returns from 1994 through 2002 for Watch Hill; returns for 2004 & 2005 for PIM; also see notes 1 & 2 on page 15 for further details

PROVIDENCE INVESTMENT MANAGEMENT
Providence, Rhode Island

Investment Process

PIM utilizes a disciplined, proven investment approach that seeks to construct a portfolio of undervalued mortgage assets while effectively monitoring and managing risk.



PIM employs sophisticated analytics in conjunction with its extensive market experience to identify opportunities and manage portfolio risk.

See Notes 2 & 3 on page 15

Why MBS?

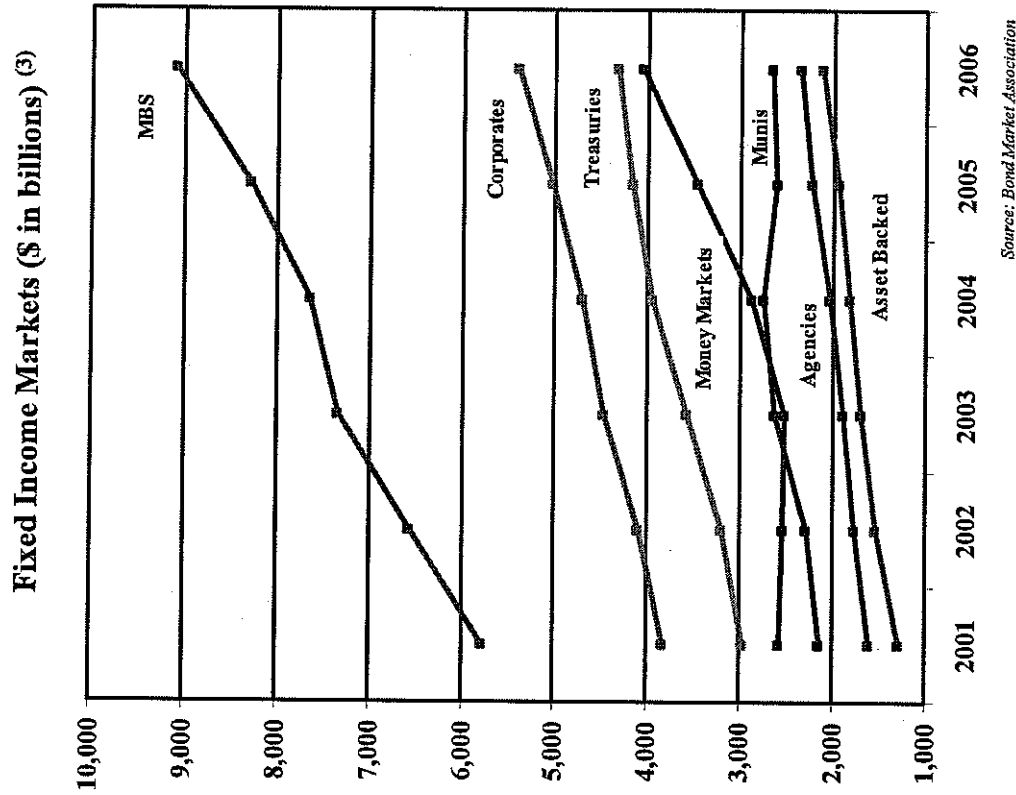
A Large and Dynamic Market

- As of the year-end 2006, MBS represented the largest fixed income market at over \$9 trillion, over \$3 trillion larger than the next largest market (Corporates)
- Of the \$9 trillion MBS market, only approximately \$15 billion, less than 1%, represents Hedge Fund capital

HFN Hedge Funds	Long/Short Equity Funds	Mortgage Funds
4,390	1,524	28

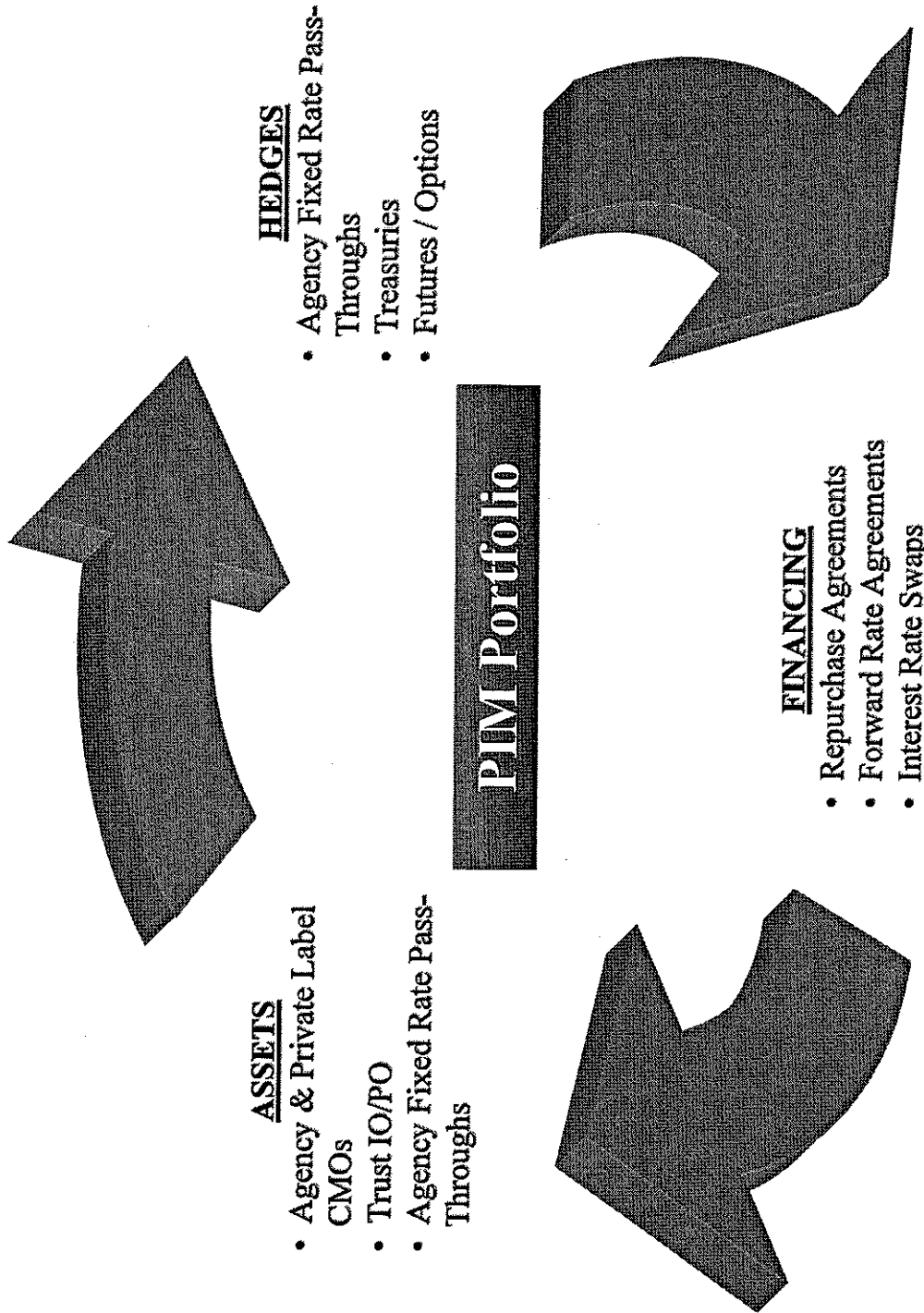
Source: HedgeFund.net

- Of the 4,390 active Hedge Funds in the HedgeFund.net Aggregate Average, only 28 are Mortgage Funds while 1,524 are Long / Short Equity Funds



See Note 1 on page 15

Investment Universe



Month-End Valuation

External Pricing

- Survey multiple major Wall Street counterparties
- Utilize third party vendors (i.e. IDC, Reuters)
- Extract the high, low, and mean prices from these sources

Internal Pricing

- Continuously monitor trading activity in similar securities
- Track dealer inventory offerings
- Evaluate external range of prices in the context of empirical trading activity

PIM

In no case, will a bond be priced lower than the low or higher than the high of the prices submitted by third party sources

Approved Counterparties

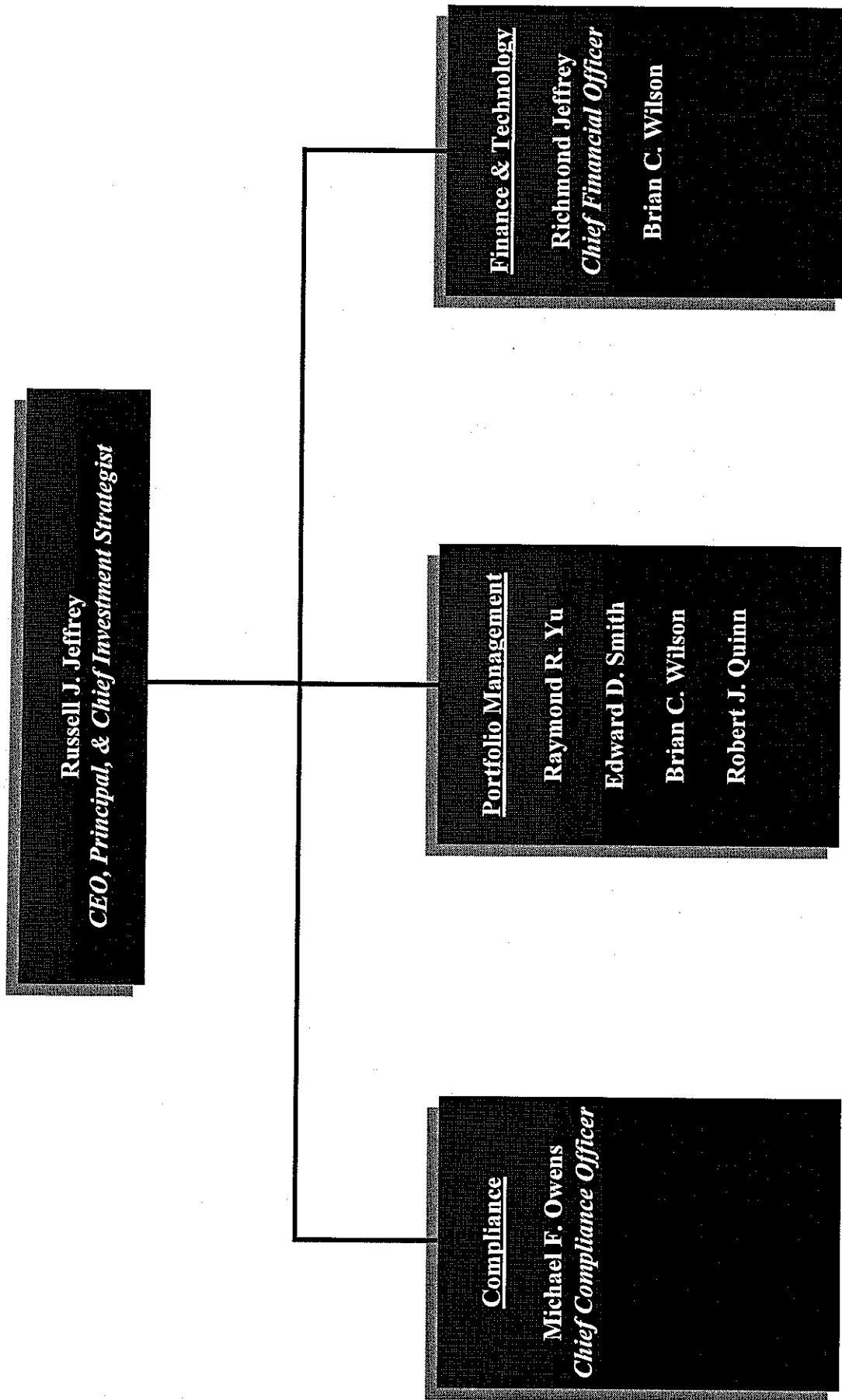
Prime Broker: Bear Stearns

- Bank of America
- Citibank
- Countrywide
- Credit Suisse
- Deutsche Bank
- Goldman Sachs
- Greenwich Capital Markets
- JP Morgan
- Lehman Brothers
- Merrill Lynch
- Morgan Stanley
- Nomura
- UBS
- Washington Mutual

Fund Specifics

Minimum Investment: \$1,000,000
Entry: Monthly
Exit: Quarterly
Lock-Up: One Year
Management Fee: 1.5%
Performance Fee: 20% (with 50% deferred and High Water Mark)
Auditor: Lipsky Goodkin
Administrator: UBS Fund Services (Cayman) Ltd.
Prime Broker: Bear Stearns
Legal: Kleinberg, Kaplan, Wolff & Cohen

Organizational Structure



Summary

- 9 professionals with over 100 years of fixed income trading, structuring, and portfolio experience
- Solid long-term investment track record
- Significant investment in state-of-the-art analytics
- Focus on client service with emphasis on transparency and partnership
- Unique performance fee structure with 50% annual deferment designed to better align manager and partner interests

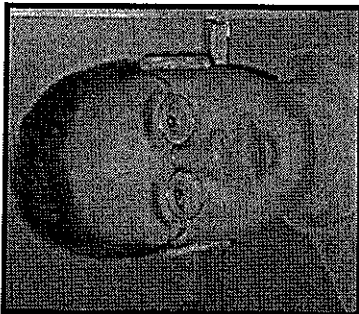
The PIM MBS Portfolio Management Team



Russell J. Jeffrey – CEO, Principal, & Chief Investment Strategist

Mr. Jeffrey is responsible for portfolio management, risk management and trading as well as general management and oversight of PIM. Prior to founding PIM, Mr. Jeffrey was co-founder and investment manager of the Watch Hill group of investment funds from 1994 to 2002. At Watch Hill, Mr. Jeffrey was responsible for managing the trading activities of domestic and offshore private investment funds which employed a fixed income oriented investment strategy. Prior to Watch Hill, Mr. Jeffrey was a Managing Director and department head of Mortgage-Backed Securities Trading and Sales for Prudential Securities, Inc. During his tenure at Prudential Securities, Inc. he also served on the firms' Operating Council, Risk Management Committee as well as on the PSA's Trading Practices Committee. In addition to overseeing the primary issuance of over \$50 billion of Real Estate Mortgage Investment Conduits (REMIC), Stripped Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO), Mr. Jeffrey was personally responsible for the creation of several innovative securities including FHLMC GOLD MACS and the JUMP Z with a combined issuance of greater than \$150 billion. Prior to working at Prudential Securities, from 1988 to 1989 Mr. Jeffrey was a Principal of L.F. Rothschild and Co. where he was responsible for the firm's mortgage operations. While at Rothschild, Mr. Jeffrey developed a market niche in mortgage derivative products; piloting the firm to a market leadership position in underwriting. From 1985 to 1988, he traded FHLMC/FNMA collateral at Merrill Lynch. Mr. Jeffrey was born and raised in Providence, Rhode Island and graduated in 1981 from the University of Rhode Island.

The PIM MBS Portfolio Management Team (continued)



Raymond R. Yu – Portfolio Manager

Prior to joining PIM, Mr. Yu served as an Associate Portfolio Manager for Watch Hill Investment Partners from 1995 to 2004, a group of domestic and offshore investment funds that employed a fixed income oriented strategy. At Watch Hill, he assisted in running the mortgage derivative portfolio. From 1989 to 1994, Mr. Yu worked at Prudential Securities. During his time at Prudential, he was Head of CMO Structuring and a derivative trader. Prior to working on Wall Street, Mr. Yu attended New York University where he graduated in 1989 with a Bachelor of Science degree in Finance and International Business. He holds Series 3 and Series 65 licenses.



Edward D. Smith – Portfolio Manager

Prior to joining PIM, Mr. Smith served as an Associate Portfolio Manager for Watch Hill Investment Partners from 2000 to 2005, a group of domestic and offshore investment funds that employed a fixed income oriented strategy. From 1995 to 1998, Mr. Smith was a Managing Director in the MBS Sales Group at Merit Capital. Prior to working at Merit Capital, Mr. Smith was a Vice President of MBS Sales at Nikko Securities. From 1990 to 1993, he served as a MBS derivative trader at Prudential Securities.



Richmond Jeffrey – Chief Financial Officer

Prior to joining PIM, Mr. Jeffrey was the CFO for Aurora Investment Management from 2001 to 2003, a private investment partnership based in Rhode Island. From 1986 to 2001, Mr. Jeffrey was the Chief of Staff and Director of International Finance at GTECH Corporation. In this position, he was responsible for all financial aspects of a majority of GTECH's business outside of the U.S. Additionally, Mr. Jeffrey acted as the main liaison between regional management and the Executive Management Staff at GTECH. A native of Rhode Island, Mr. Jeffrey earned his undergraduate degree in 1980 and his MBA in 1990, both from the University of Rhode Island.

Notes

1. *This information is derived from a third party without independent verification by PIM and is believed by PIM to be reliable. However, neither PIM nor any of its affiliates makes any representation as to the accuracy or completeness of such information or accepts any liability arising from its use. Any decision to invest in the investment vehicles managed by PIM should be made after reviewing the relevant Private Placement Memorandum, conducting such investigations as the investor deems necessary and consulting the investor's own investment, legal, accounting, and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities.*
2. *Past performance is not indicative of future performance and no representation is made that an investor will or is likely to achieve similar results to these shown. Returns shown reflect the record of Russ Jeffrey during his tenure at Watch Hill Partners. These returns were generated with Russ Jeffrey serving as the primary Portfolio Manager from 1994 through 2001. He managed the portfolio jointly with Ken Atlas during 2002. The foregoing should not be deemed an offer to sell or a solicitation of an offer to buy an interest in any fund unless accompanied or preceded by such Fund's current Private Placement Memorandum. Performance is shown net of fees and is audited. Hedge fund investing carries certain risks such as illiquidity and volatility. Please refer to the Fund's Offering Memorandum for more information. The results shown reflect reinvestment of dividends and earnings.*
3. *Past performance is not indicative of future performance and no representation is made that an investor will or is likely to achieve similar results to these shown. Returns shown for 2004 and 2005 reflect the record of Russ Jeffrey at PIM. He managed the portfolio jointly with Robert Pearsall from inception in 2004 through February 2006. The 2004 net return of 13% represents the 10 months beginning March 1, 2004 and ending December 31, 2004 for the Providence MBS Opportunities Fund, LP. March 1, 2004 was the inception date of the Providence MBS Opportunities Fund, LP. As of July 31, 2005, the Providence MBS Opportunities Fund, LP was closed and combined with the Providence MBS Fund, LP. The 2005 net return of 2% represents the full-year return for the Providence MBS Fund, LP and the Providence MBS Offshore Fund, Ltd. The net rates of return reflect the percentage change in the market value of the assets of each Fund for the periods indicated. The returns are based on \$1,000,000 invested as of the inception date of the Fund. Returns to investors admitted after the inception date of the Fund may differ from the stated returns above. Performance is shown net of fees and is audited. Hedge fund investing carries certain risks such as illiquidity and volatility. Please refer to the Fund's Offering Memorandum for more information. The results shown reflect reinvestment of dividends and earnings.*

EXHIBIT 2



Offices: Kleinberg, Kaplan, Wolff & Cohen, P.C.

[Print](#) [Close Window](#)

View Offices for:

-- All Practice Areas--

New York, New York (Main Office) 551 Fifth Avenue, New York, New York 10176

View Offices for:

-- All Practice Areas--

New York, New York (Main Office) 551 Fifth Avenue, New York, New York 10176

Source: Martindale-Hubbell

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Our Attorneys

MEMBERS

FREDRIC A. KLEINBERG. Admitted to bar, 1968, New York. Education: University of Miami (B.B.A., 1964); Georgetown University (J.D., 1967). Omicron Delta Kappa. Member, Iron Arrow. Advisor, Eugene and Estelle Ferkauf Foundation, 1972-1998. Trustee: Board of Governors of the Graduate Schools of Yeshiva University, 1973-1977; Children's Medical Center of New York, 1973-1986; The Jewish Braille Institute of America, 1976-1979; Benjamin N. Cardozo School of Law, 1977-1987; Dartmouth College Medical School, 1979-1986; The Nassau Center, 1983-1986. Associate Trustee, Long Island Jewish Hillside Medical Center, 1978-1983. Trustee, Daytop Village Foundation, 1992-1997. Member, International Council of The Salk Institute of Biological Sciences, 1983-1999. Practice Areas: Corporate Law; Mergers and Acquisitions; Investment Management; Real Estate. Email: FKleinberg@KKWC.com

MYRON KAPLAN. Admitted to bar, 1970, New York. Education: Columbia University (A.B., cum laude, 1966); Harvard University (J.D., 1969). Co-author: "Purchasing Recycled Paper," 58 American Bar Association Journal 851, August, 1972. Member, Board of Directors, Public Action Coalition on Toys, 1976-1983. Trustee, 1979-1991, 1993—, Member, Executive Committee, 1993—, Vice Chairman, 1995—, JBI International (formerly The Jewish Braille Institute of America). Trustee, 1991—, Member, Executive Committee, 1992—, and Chairman, Exhibition Committee, 1992-1999, The Children's Museum of Manhattan. Member: Board of Directors 1993—, Executive Committee, 1996-1999 and Chairman, Compensation Committee, 1996-1999, Trans World Airlines, Inc. Board of Directors and Chairman, Compensation Committee, 2002-2007, Kitty Hawk, Inc. Board of Directors, 2002-2003, SAir Group Finance (USA) Inc. Lecturer: Hedge Fund Services Seminar, 1994, Managed Account Reports, Inc., Conference on Alternative Investments, 1995, and Institute for International Research Conference on Financial Products, 1995. Member: American Bar Association (Committees on Sherman Act, 1981-1985 and Franchising, 1981-1985, Anti-trust Law Section; International Law Section). Named a Super Lawyer in 2006 and 2007. Practice Areas: Corporate Law; Securities; Investment Management; Trade Regulation; Mergers and Acquisitions. Email: MKaplan@KKWC.com

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Area code 516

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Area code 516 is used for Long Island's Nassau County, located directly east of the New York City borough of Queens and west of Suffolk County.

Upon nationwide adoption of area codes in October 1947, Nassau, along with Suffolk, was given the 914 area code along with about half a dozen counties to the north of New York City until it split very soon after in 1951, giving Long Island the **516** area code exclusively.

This area code used to serve both Nassau and Suffolk counties until November 1, 1999, when Suffolk County received the 631 area code.

See also

- List of NANP area codes
- North American Numbering Plan

State of New York Area Codes: 212, 315, 347, 516 , 518, 585, 607, 631, 646, 716, 718, 845, 914, 917		
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West: 347/718, 917	area code 516	East: 631
	South: Atlantic Ocean	

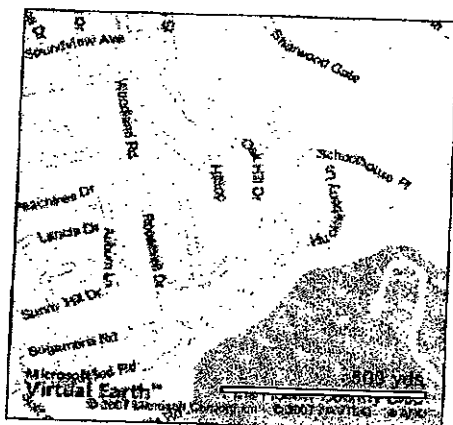
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	3: Turn LEFT onto WOODLAND RD.	0.1 mi
	4: Turn RIGHT onto PEACHTREE DR.	0.1 mi
	5: Turn RIGHT onto WHIPPET LN.	0.1 mi
	6: Turn LEFT onto PEERLESS DR.	0.2 mi
	7: Turn LEFT onto OYSTER BAY RD/NY-106 S.	0.9 mi
	8: Turn RIGHT onto NORTHERN BLVD/NY-25A W/N HEMPSTEAD TURNPIKE. Continue to follow NORTHERN BLVD/NY-25A W.	7.9 mi
	9: Turn LEFT onto SEARINGTOWN RD.	1.3 mi
	10: Turn RIGHT onto N SERVICE RD.	0.2 mi
	11: Merge onto I-495 W/LONG ISLAND EXPY via the ramp on the LEFT toward NEW YORK.	4.5 mi
	12: Take the CROSS IS PKWY NORTH exit, EXIT 31N, toward WHITESTONE BR.	0.4 mi
	13: Merge onto CROSS ISLAND PKWY N.	3.2 mi
	14: Merge onto I-295 N via EXIT 33 toward BRONX/NEW ENGLAND (Portions toll).	3.1 mi
	15: Merge onto I-695 N/THROGS NECK EXPY via EXIT 10 toward I-95 N/NEW HAVEN.	1.7 mi
	16: I-695 N/THROGS NECK EXPY becomes I-95 N.	1.3 mi



17: Take the HUTCHINSON PKWY NORTH exit, EXIT 9.

0.1 mi



18: Merge onto HUTCHINSON RIVER PKWY N via the exit on the LEFT.

1.7 mi



19: Merge onto I-95 N via EXIT 6 toward NEW HAVEN (Portions toll) (Passing through CONNECTICUT, then crossing into RHODE ISLAND).

160.3 mi



20: Merge onto I-195 E/US-6 E via EXIT 20 toward EAST PROVIDENCE/CAPE COD.

0.4 mi



21: Take EXIT 1 toward DOWNTOWN PROVIDENCE.

0.3 mi



22: Turn SLIGHT LEFT onto DYER ST.

0.1 mi



23: Turn RIGHT onto DYER ST/US-44. Continue to follow DYER ST.

0.1 mi



24: DYER ST becomes MEMORIAL BLVD.

0.1 mi



25: Turn LEFT onto BANKBOSTON PLZ/WESTMINSTER ST.

0.1 mi



26: End at 76 Westminister St Providence, RI 02903-2219

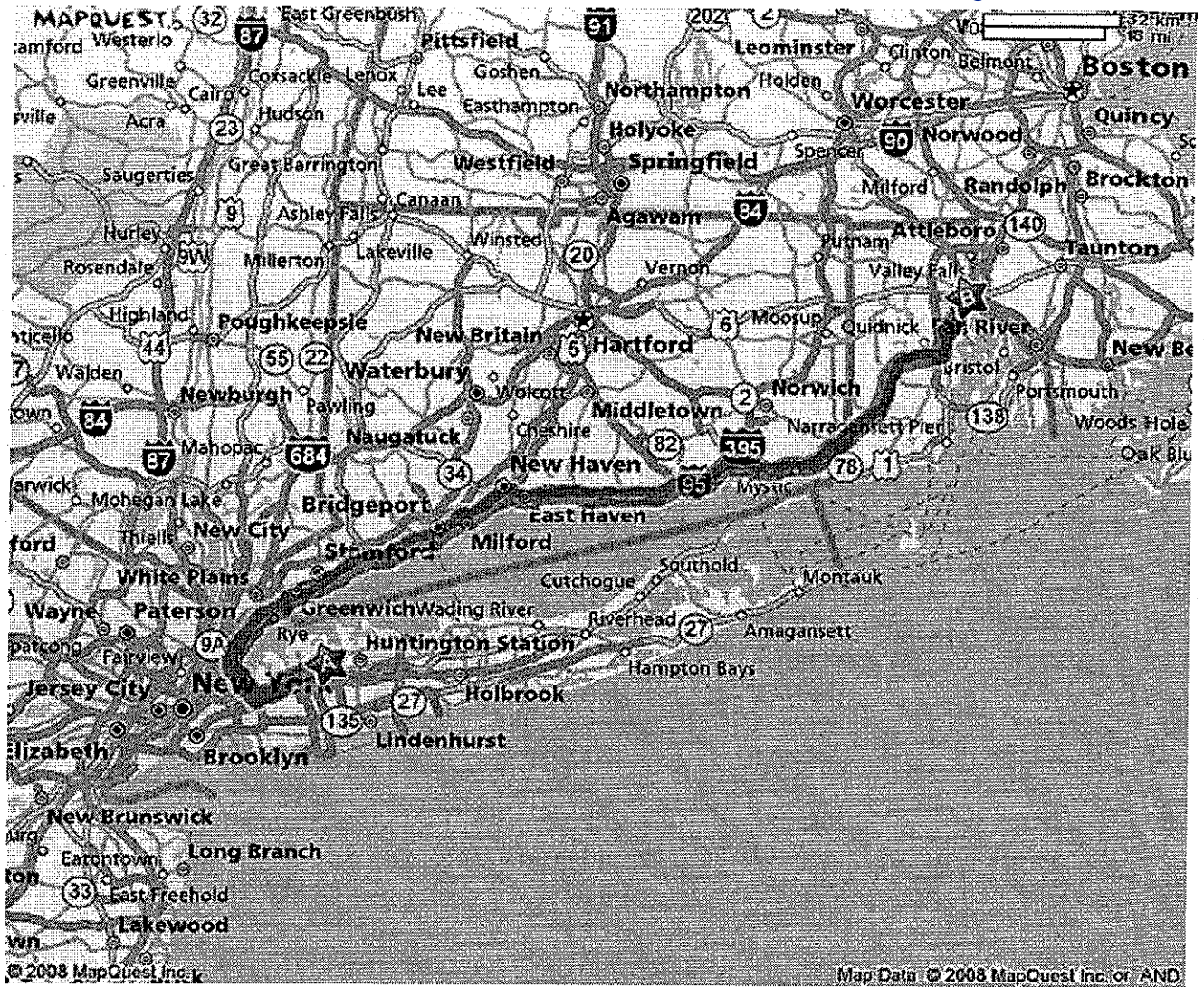
Estimated Time: 3.0 hours 38 minutes

Estimated Distance: 188.12 miles

B: 76 Westminister St, Providence, RI 02903-2219

Total Time: 3.0 hours 38 minutes

Total Distance: 188.12 miles



Directions and maps are informational only. We make no warranties on the accuracy of their content, road conditions or route usability or expeditiousness. You assume all risk of use. MapQuest and its suppliers shall not be liable to you for any loss or delay resulting from your use of MapQuest. Your use of MapQuest means you agree to our [Terms of Use](#)

EXHIBIT 4



Nasdaq: AGNC

Current Stock Price*

Last Sale\$19.51

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OUR PEOPLE

Russell J. Jeffrey

Senior Vice President and Chief Investment Officer, American Capital Agency Corp.

Vice President, American Capital Agency Management, LLC

Russell J. Jeffrey joined American Capital in September 2007 to head the RMBS investment team. Mr. Jeffrey is currently the majority owner and a managing member of PIM, which he co-founded in November 2003. Between January 2003 and November 2003, Mr. Jeffrey was not affiliated with a fund or management company and was a private investor. Mr. Jeffrey was co-founder and investment manager of Watch Hill, from December 1993 to December 2002. At Watch Hill, Mr. Jeffrey was responsible for managing the trading activities of private investment funds which employed an agency security investment strategy. Prior to Watch Hill, Mr. Jeffrey was a Managing Director and department head of Mortgage-Backed Securities Trading and Sales for Prudential Securities, Inc. During his tenure at Prudential Securities, Inc. he also served on the firm's Operating Council and Risk Management Committee.

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Nasdaq: AGNC

Current Stock Price*

Last Sale\$19.27

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OUR PEOPLE

Raymond R. Yu

Vice President, American Capital Agency Management, LLC

Raymond R. Yu joined American Capital's RMBS investment team in September 2007. Mr. Yu served as a Portfolio Manager for PIM from 2005 to 2007. Prior to joining PIM, Mr. Yu served as an Associate Portfolio Manager for the Watch Hill Group from 1995 to 2004. At the Watch Hill Group, he assisted in running the mortgage derivative portfolio. From 1989 to 1994, Mr. Yu worked at Prudential Securities. During his time at Prudential, he was Head of CMO Structuring and a derivative trader. In 2006, Mr. Yu was published in the Handbook of Mortgage-Backed Securities (Sixth Edition), edited by Frank J. Fabozzi (New York: McGraw-Hill Publishing Co., 2006) where he co-authored the chapter on Inverse Floating-Rate Collateralized Mortgage Obligations.

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EXHIBIT 5

The Following are excerpts from 2/11/08 SEC file 333-149167 for American Capital Agency Corp. REIT underwritten by Merrill Lynch and Citigroup Global Markets:

From pages 56-57

Russell J. Jeffrey is one of our Senior Vice Presidents and Chief Investment Officer and a Vice President of our Manager. He is also a Senior Vice President and Managing Director of American Capital. Since joining American Capital in September 2007, Mr. Jeffrey has headed American Capital's RMBS investment team. Mr. Jeffrey is currently the majority owner and a managing member of PIM, which he co-founded in November 2003. Between January 2003 and November 2003, Mr. Jeffrey was not affiliated with a fund or management company and was a private investor. Mr. Jeffrey was co-founder and investment manager of Watch Hill, from December 1993 to December 2002. At Watch Hill, Mr. Jeffrey was responsible for managing the trading activities of private investment funds which employed an agency security investment strategy. Prior to Watch Hill, Mr. Jeffrey was a Managing Director and department head of Mortgage-Backed Securities Trading and Sales for Prudential Securities, Inc. During his tenure at Prudential Securities, Inc. he also served on the firm's Operating Council and Risk Management Committee.

Raymond R. Yu is a Vice President of our Manager. He is also a Vice President and Principal of American Capital, where he works for the RMBS investment team. Mr. Yu served as a Portfolio Manager for PIM from January 2004 to September 2007. Prior to joining PIM, Mr. Yu served as an Associate Portfolio Manager for Watch Hill from February 1995 to January 2004. At Watch Hill, he assisted in running the mortgage derivative portfolio. From June 1989 to December 1994, Mr. Yu worked at Prudential Securities. During his time at Prudential, he was Head of CMO Structuring and a derivative trader. In 2006, Mr. Yu was published in the Handbook of Mortgage-Backed Securities (Sixth Edition), edited by Frank J. Fabozzi (New York: McGraw-Hill Publishing Co., 2006) where he co-authored the chapter on Inverse Floating-Rate Collateralized Mortgage Obligations.

Edward D. Smith is a Vice President of our Manager. He is also a Vice President of American Capital, where he works for the RMBS investment team. Mr. Smith served as a Portfolio Manager of PIM from September 2005 to September 2007. From January 2000 to September 2005, Mr. Smith served as an Associate Portfolio Manager for Watch Hill. From July 1995 to January 1999, Mr. Smith was a Managing Director in the MBS Sales Group at Merit Capital. Prior to working at Merit Capital, Mr. Smith was a Vice President of MBS Sales at Nikko Securities from July 1993 to November 1994. From January 1990 to July 1993, he served as a MBS derivative trader at Prudential Securities.

American Capital Strategies, Ltd.

American Capital had approximately \$17 billion of assets under management and over 300 investment professionals as of September 30, 2007. American Capital's business consists of two primary segments—its middle-market investment portfolio and its global alternative asset management business. American Capital, both directly and through its global alternative asset management business, is an investor in management and employee buyouts, private equity buyouts and early stage and mature private and public companies. From its initial public offering in 1997 to September 30, 2007, it has invested, directly and through its funds under management, including funds committed but undrawn under credit facilities and equity commitments, approximately \$6 billion in equity securities and approximately \$18 billion in debt securities of middle market companies including approximately \$1 billion in commercial mortgage-backed securities, or CMBS, and approximately \$0.3 billion in collateralized debt obligations, or CDOs.

In September 2007, American Capital hired its eight-member RMBS investment team, led by Mr. Jeffrey, our Chief Investment Officer, in order to pursue various RMBS investment strategies. Since October 2007, American Capital has invested approximately \$29 million in an investment vehicle that employs a credit-sensitive RMBS investment strategy and does not target, but may invest in agency securities. This investment vehicle is managed by an American Capital affiliate. American Capital has agreed that so long as the Manager is an affiliate of American Capital that it will not sponsor another investment vehicle that invests exclusively in whole pool agency securities. For so long as Mr. Jeffrey is employed by American

Capital, he has agreed with American Capital that investment vehicles managed by PIM will not purchase investments in whole pool agency securities and related derivative securities.

American Capital has developed an institutionalized approach to its global alternative asset management business through exceptional management, supported by a fully-integrated organization and infrastructure. Through the administrative services agreement, our Manager will have access to American Capital's employees, infrastructure, business relationships, management expertise and capital raising capabilities, including its extensive financial reporting operations, dedicated equity and debt capital markets fund raising teams, business development and legal teams. Over the years, American Capital has developed comprehensive financial monitoring policies and procedures, which we believe will be beneficial to us as we effectively manage and increase our investment portfolio over time. American Capital's key functional teams are described below.

From Page 10.

Time Commitments of Our Management Team

Our Manager will be responsible for making all of our investments. Each of our and our Manager's officers, as well as the members of American Capital's RMBS investment team who will provide services to us, is an employee of American Capital or its affiliates and none of them will devote his time to us exclusively. Each of Messrs. Wilkus, Erickson, Flax and McHale, who will be the initial members of our Manager's investment committee, is an officer of American Capital and has significant responsibilities to American Capital and certain of its various portfolio companies, affiliated entities or managed funds. Messrs. Jeffrey, Yu and Smith and the five other members of American Capital's RMBS investment team will provide services to us and may provide services to American Capital or other RMBS investment vehicles that have been or may be sponsored by American Capital in the future.

In addition, Mr. Jeffrey is currently the majority owner and a managing member of Providence Investment Management, LLC, or PIM, an investment advisor that is not affiliated with American Capital. PIM manages investment vehicles that as of , 2008 had less than \$ million in total assets and invest in RMBS and associated mortgage derivatives. For so long as Mr. Jeffrey is employed by American Capital, he has agreed with American Capital that investment vehicles managed by PIM will not purchase investments in whole pool agency securities and related derivative securities. He has also agreed with American Capital that he will devote his full-time attention and energies to his employment with American Capital, but he will be entitled to continue to provide services to PIM and investment vehicles managed by PIM, as long as these activities do not detract significantly from his work on behalf of American Capital and he devotes such of his time and effort to managing American Capital-sponsored RMBS investment vehicles, including our company, as is reasonably necessary and appropriate. For so long as he is an employee of American Capital, Mr. Jeffrey will cause all management fees earned by PIM to be assigned to American Capital or a designee of American Capital, but he will be entitled to retain all incentive fees earned by PIM. Due to the fact that each of our and our Manager's officers and American Capital's RMBS investment team are responsible for providing services to American Capital and/or certain of its portfolio companies, affiliated entities or managed funds and Mr. Jeffrey, through PIM, continues to manage investment vehicles not affiliated with American Capital for which he is entitled to earn incentive fees, they may not devote sufficient time to the management of our business operations.

From Page. 49

- ***Experienced RMBS Investment Team.*** Mr. Jeffrey, our Senior Vice President and Chief Investment Officer, has over 20 years of experience trading and investing in RMBS. Since joining American Capital in September 2007, Mr. Jeffrey has led American Capital's eight-member RMBS investment team, which includes Messrs. Yu and Smith, each of whom is an officer of our Manager. Messrs. Jeffrey, Yu and Smith have an average of 21 years of RMBS investing experience and have worked together for the majority of their professional careers. We expect American Capital's experienced investment team to be a differentiating competitive advantage relative to our competitors.

- ***Focused Investment Strategy.*** Our investment strategy seeks to optimize our risk adjusted returns by creating an investment portfolio consisting exclusively of agency securities. Because we will invest exclusively in agency securities, our investment portfolio will have limited credit risk due to the guarantee of principal and interest payments by a U.S. Government agency or U.S. Government-sponsored entity. We expect our focused investment strategy to be a competitive advantage relative to other residential mortgage investors that have experienced a deterioration in the credit performance of their residential mortgage loan investment portfolios.
- ***Access to American Capital's Fund Raising Capabilities.*** We will have access to American Capital's infrastructure including its dedicated equity and debt capital markets teams, which collectively have 21 employees, as of September 30, 2007. American Capital has demonstrated its ability to raise significant amounts of debt and equity capital during various market environments and we believe we will benefit from American Capital's experience and guidance in this regard. Since its initial public offering in 1997 through September 30, 2007, American Capital has completed 30 common stock offerings raising net proceeds in excess of \$5 billion, successfully raised approximately \$4 billion of public and private term debt and completed 10 securitization transactions totaling approximately \$3 billion. Additionally, American Capital has equity and debt financing relationships with more than 40 global financial institutions. We believe that having access to American Capital's fund raising capabilities provides a competitive advantage relative to our competitors and will assist us in our efforts to build our investment portfolio over time.